

Employee Health Benefits Overview

Prepared by Senate Ways and Means Committee Staff

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Employee Health Benefits Overview

- ▶ The state provides health care benefits as a part of a total compensation package for employees
 - ▶ Salaries
 - ▶ Health benefits
 - ▶ Retirement benefits
- ▶ State funding provides benefits for approximately 550,000 state and school district employees, retirees, and dependents
- ▶ Contributions for health care benefits in the 2007-09 fiscal biennium will amount to more the \$3 billion

Employee Health Benefits – Who Is Covered

Employee Group	Coverage Mechanism	Employer Contributions	Employee Contributions
Represented	HCA provides coverage, bills employer	Set by Legislature, subject to contracts	Set by PEBB*, subject to contracts
Non-Represented	HCA provides coverage, bills employer	Set by Legislature	Set by PEBB
School District	Funds given to districts, districts buy coverage	Set by Legislature	Bargained locally
Retirees	May purchase continued coverage through HCA	Depends on Medicare eligibility	Remaining costs after subsidy

*Public Employee Benefits Board

Health Benefits in the Governor's Proposed Budget

The Governor's proposal does not include funding for the collective bargaining agreements negotiated for 2009-11

- ▶ Benefit provisions required the state to pay 88% of premium costs
- ▶ The new contracts were not certified to be financially feasible
- ▶ 2007-09 contracts will be extended one year
- ▶ Negotiations may be reopened

Sufficient funding is provided to maintain the current 88% employer share of medical premium expenses.

- ▶ Proposed funding rates are the same for all employee groups
- ▶ Premium inflation assumption is approximately 7.4% per year

Health Benefits in the Governor's Proposed Budget

Proposed 2009-11 Funding Increases for Health Benefits (in millions)

Group	General Fund	Other Funds	Total Funds
Represented Employees	45	67	112
Non-Represented Employees	70	55	125
K-12 Health Benefit Funding Parity	128	0	128
Total - State & K-12 Employees	\$243	\$122	\$365

Policy Options – Opportunities for Savings

Savings options

- ▶ Increase employee share of premium costs
- ▶ Reduce the scope of benefits provided
 - Cover fewer procedures and/or medications
 - Increase copayments, coinsurance or deductibles
- ▶ Restrict benefit eligibility

Restrictions and limitations

- ▶ State collective bargaining agreements extend through FY 2010
- ▶ PEBB benefits must be “substantially similar” to 1/1/93 offering
- ▶ Authority to change plan design and set employee premiums has been delegated to PEBB
- ▶ Benefit changes won’t take effect immediately